

FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge, Louisiana

FINANCIAL REPORT

December 31, 2001

FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of Families/Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statement of assets, liabilities and net assets – modified cash basis of **FRIENDS OF FAMILIES/BATON ROUGE, INC.** (a non-profit organization), as of December 31, 2001, and the related statement of support, expenses and changes in net assets – modified cash basis for the year then ended. These financial statements are the responsibility of the Friends of Families' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Organizations' 2000 financial statements and, our report dated June 18, 2001, we expressed an unqualified opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, except that the statements include a provision for depreciation of equipment. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets resulting from cash transactions of **FRIENDS OF FAMILIES/BATON ROUGE, INC.**, as of December 31, 2001, and its support and expenses and the changes in net assets for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2002, on our consideration of the **FRIENDS OF FAMILIES/BATON ROUGE, INC.**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Faulk & Winkler, LLC
Certified Public Accountants

Baton Rouge, Louisiana
June 18, 2002

FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge Louisiana

STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASISDecember 31, 2001
(with comparative amounts for 2000)

ASSETS		
	<u>2001</u>	<u>2000</u>
INVESTMENT	64,704	97,528
PROPERTY AND EQUIPMENT, net	<u>28,150</u>	<u>37,982</u>
Total assets	<u>\$ 92,854</u>	<u>\$ 135,510</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Cash overdraft	\$ 3,356	\$ 1,870
Payroll taxes payable and other accrued liabilities	723	792
Due to related parties	<u>200</u>	<u>200</u>
Total liabilities	<u>4,279</u>	<u>2,862</u>
NET ASSETS		
Temporarily restricted	24,377	51,963
Unrestricted	<u>64,198</u>	<u>80,685</u>
Total net assets	<u>88,575</u>	<u>132,648</u>
Total liabilities and net assets	<u>\$ 92,854</u>	<u>\$ 135,510</u>

The accompanying notes to financial statements
are an integral part of this statement.

FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge Louisiana

**STATEMENT OF SUPPORT, EXPENSES AND CHANGES IN
NET ASSETS - MODIFIED CASH BASIS**For the year ended December 31, 2001
(with comparative amounts for 2000)

SUPPORT AND RECLASSIFICATIONS	Unrestricted	Temporarily Restricted	Totals	
			2001	2000
Grant:				
Louisiana Office of Community Services	\$ -	\$ -	\$ -	\$ 75,000
HUD grant	4,575	-	4,575	19,712
Contributions:				
Community	59,874	-	59,874	70,617
Individual	12,134	-	12,134	19,108
Program services	13,933	-	13,933	12,277
Miscellaneous:				
Recovery of funds	185	-	185	578
Investment (loss) income	(1,775)	-	(1,775)	4,534
Other	1,525	-	1,525	-
Net assets released from restrictions	<u>27,586</u>	<u>(27,586)</u>	<u>-</u>	<u>-</u>
 Total support	 <u>118,037</u>	 <u>(27,586)</u>	 <u>90,451</u>	 <u>201,826</u>
 EXPENSES				
Salaries	60,165	-	60,165	100,862
Payroll taxes	4,975	-	4,975	7,716
Insurance	13,203	-	13,203	12,978
Outside services	23,238	-	23,238	26,320
Telephone	3,500	-	3,500	3,882
Office	590	-	590	3,837
Rental	2,287	-	2,287	1,740
Family assistance	5,245	-	5,245	5,930
Legal and accounting	3,457	-	3,457	3,185
Depreciation	9,832	-	9,832	8,006
Miscellaneous	<u>8,032</u>	<u>-</u>	<u>8,032</u>	<u>16,591</u>
 Total expenses	 <u>134,524</u>	 <u>-</u>	 <u>134,524</u>	 <u>191,047</u>
 Change in net assets	 (16,487)	 (27,586)	 (44,073)	 10,779
 NET ASSETS				
Beginning of year	<u>80,685</u>	<u>51,963</u>	<u>132,648</u>	<u>121,869</u>
 End of year	 <u>\$ 64,198</u>	 <u>\$ 24,377</u>	 <u>\$ 88,575</u>	 <u>\$ 132,648</u>

The accompanying notes to financial statements
are an integral part of this statement.

FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Friends of Families/Baton Rouge, Inc. (Friends of Families) is a church affiliated non-profit organization working with homeless families in south Louisiana, unemployed youth and adults to enhance work possibilities and develop new job opportunities. The Organization funds its program through contributions from various organizations, individuals from the Baton Rouge Area Foundation, and grants.

Basis of presentation

Friends of Families prepares its financial statements on the modified cash basis of accounting but includes depreciation of capitalized assets. Under this basis, revenues are recognized when received rather than when earned, and expenses are recognized when cash is disbursed rather than when the obligation is incurred. All expenses of the Organization are classified as program services.

Friends of Families reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Friends of Families does not have any permanently restricted net assets.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the principles described above. Accordingly, such information should be read in conjunction with the Friends of Families' financial statements for the year ended December 31, 2001, from which the summarized information was derived.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Estimates relate primarily to recording of depreciation expense.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments have been recorded at market value, with the amount of unrealized gain or loss recorded in the statement of activities.

Fair value of financial instruments

The carrying value of cash and accrued liabilities approximate fair value due to the short-term maturity of these instruments.

Grant revenue

Friends of Families received one grant to support their activities. The program is funded through an agreement with the City of Baton Rouge/Parish of East Baton Rouge that is funded by the U.S. Department of Housing and Urban Development. Friends of Families received \$4,575 for the year ended December 31, 2001.

Temporarily restricted net assets

Friends of Families received funding from the Department of Social Services, State of Louisiana in prior years to support operations. The surplus from the funding has been classified as temporarily restricted net assets.

Fixed assets and depreciation

Purchased fixed assets are recorded at cost. Fixed assets are depreciated over their estimated useful lives.

Vacation and sick leave

Unused vacation and sick leave lapse at year-end, except that vacation may be awarded subsequently at the discretion of the Executive Director.

Volunteer services

During the year ended December 31, 2001, the value of volunteer services meeting the requirement for recognition in the financial statements was not reflected in these statements since no objective basis for measurement or valuation is available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax status

Friends of Families qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

NOTE 2 - INVESTMENTS

Investments as of December 31, 2001, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
LUMF Fixed Rate Fund	\$ 21,864	\$ 21,864	\$ 21,864
LUMF Balanced Fund	49,527	42,840	42,840
	<u>\$ 71,391</u>	<u>\$ 64,704</u>	<u>\$ 64,704</u>

Investment loss is comprised of the following:

	<u>Total</u>
Interest	\$ 50
Dividends	3,994
Unrealized losses	<u>(5,819)</u>
	<u>\$ (1,775)</u>

NOTE 3 - FIXED ASSETS

At December 31, 2001, fixed assets were as follows:

<u>Description</u>	<u>Estimated Service Life</u>	<u>Amount</u>
Furniture and fixtures	5-7 years	\$ 29,804
Auto	7 years	<u>22,025</u>
		51,829
Less accumulated depreciation		<u>(23,679)</u>
		<u>\$ 28,150</u>

Depreciation expense was \$9,832 for the year ended December 31, 2001.

NOTE 4 - SIGNIFICANT SOURCES OF REVENUE

Approximately 80% of the 2001 community contributions were from Capital Area United Way.

NOTE 5 - RELATED PARTY TRANSACTIONS

During 1997, Friends of Families received a non-interest bearing advance from a board member and his relative. At December 31, 2001, the balance of these advances was \$200.

NOTE 6 - RECOVERY OF FUNDS

The recovery of funds results from restitution of funds misappropriated by a former treasurer of Friends of Families in a prior period. At December 31, 2001, a balance of approximately \$17,348, excluding accrued interest, remained unpaid. The balance bears interest at 9.75% and has not been recorded in these financial statements.

NOTE 7 - DONATED FACILITIES

Friends of Families utilizes, without charge, certain premises of the First United Methodist Church of Baton Rouge. This item is not reflected as support and expense in the financial statements. The Church also made a contribution of \$10,973 during 2001.

NOTE 8 - EMPLOYEE BENEFIT PLAN

Friends of Families has a 401 (k) retirement plan covering substantially all of its employees. Retirement benefit expense is funded through periodic contributions to the plan and was \$1,547 for the year ended December 31, 2001.

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

Financial instruments which subject Friends of Families to concentrations of credit risk consist primarily of investments in money market funds and mutual funds. Friends of Families typically maintains cash and cash equivalents, and temporary investments in local banks that may, at times, exceed the FDIC limits. Management believes the risk is limited.

NOTE 10 - LOSS OF PROGRAM REVENUE

During 2001, the Louisiana Department of Social Services began performing services that had been contracted to Friends of Families. The effect of this policy change was to terminate the governmental funding previously provided. In view of this reduction, Friends of Families has reduced expenses, primarily personnel, related to such contracts. The magnitude of this revenue reduction to operations is undeterminable at this time.

Special Independent Auditors' Report

FRIENDS OF FAMILIES/BATON ROUGE, INC.

Baton Rouge, Louisiana

December 31, 2001



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Friends of Families/Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the accompanying financial statements of **FRIENDS OF FAMILIES/BATON ROUGE, INC.** (Friends of Families) as of and for the year ended December 31, 2001, and have issued our report thereon dated June 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Friends of Families' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Friends of Families' internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Friends of Families' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

However, we noted the following matter involving internal control over financial reporting that we consider to be a material weakness as defined above.

Segregation of Duties

Observation: There is not sufficient segregation of duties to have effective internal control over financial reporting. The finding results from the small size of the organization. These limitations allow no opportunity for meaningful segregation of duties.

Recommendation: No action recommended.

Management's corrective action plan: We concur with the finding.

This report is intended for the information of the Board of Directors, management, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Fault & Winkler, LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 18, 2002